



State of Washington  
Department of Revenue

# Excise Tax Advisory

---

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

---

NUMBER: : 121.12.106

CONVERSION DATE: July 1, 1998

---

## TRANSFER OF CAPITAL ASSETS TO JOINT VENTURES

Issued August 5, 1966

Does the transfer of capital assets to a joint venture qualify for exemption from the Use Tax where the interests received are not in proportion to the assets contributed?

The taxpayer, a joint venture, received equipment and cash from some members of the venture as a contribution to its capital. The equipment contributions were credited to a special accounts payable, and the cash contributions to a separate contribution account. Only the interests received in the venture for the cash contributions were in proportion to the profit and loss ratio of the venture, whereas the contributors of equipment were paid for these contributions as money was received from the construction contract. No funds were paid out to all members according to their profit and loss ratio until the payments for equipment had been made.

Rule 106 provides an exemption from the Use Tax where there has been a transfer of the capital assets of a business in exchange for a beneficial interest in the joint venture or partnership.

The Commission held that the equipment contributions were in fact a sale to the joint venture rather than in exchange for a beneficial interest. Thus, no exemption from Use Tax was allowed for the transfer of the equipment to the Joint venture.

---

***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

To inquire about the availability of receiving this document in an alternate format for the visually impaired or language other than English, please call (360)753-3217. Teletype (TTY) users please call 1-800-451-7985.

---

Please direct comments to:  
Department of Revenue  
Legislation & Policy Division  
P O Box 47467  
Olympia, Washington 98504-7467  
(360) 753-4161 eta@DOR.wa.gov